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The chief value of the book, therefore, is to be found rather in its political than in its economic significance. Many persons who came to the conference with their opinions firmly settled regarding the effects of the industrial combinations, and perhaps even regarding the remedy for the evils arising from them, went away convinced that the question demanded much more careful study than they had yet been able to give it; and many also became imbued with a much greater respect than they had previously felt for the views of others from different sections of the country and representing different interests. This educative effect of the conference was of the greatest importance. There can be no doubt that to it has been due to a large extent the change in public opinion which has led people to wish to make a more careful study of industrial combinations and to take conservative action regarding them.

This report, if widely scattered, cannot fail to be of very great importance during the next few months, while the question is before the voters of the country during the political campaign. Its readers are likely to be made more thoughtful and conservative, while at the same time they will recognize that there is a justification for many of the denunciations of the trusts so commonly seen in the newspapers.

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The Effects of Recent Changes in Monetary Standards upon the Distribution of Wealth. By FRANCIS S. KINDER, A.M. (Economic Studies, Vol. IV, No. 6.) New York, published for the American Economic Association by The Macmillan Company, 1899. — 85 pp.

This little volume is really a tract in favor of bimetallism. Mr. Kinder attributes the fall in prices since 1873 exclusively to the demonetization of silver and believes that this fall has been disastrous to business enterprise, has favored the creditor at the expense of the debtor and has been especially injurious to the working class. Still further, he tries to prove that a period of rising prices due to monetary causes — that is, to an increase in the precious metals — is conducive to prosperity and is beneficial to practically all classes in the community. The author's style is terse, his logic is clean-cut, and he marches from point to point with a precision and an assurance which all who have studied this vexed question must regard with envy. His main points are not new, but he employs methods which demand consideration and criticism.

It is, of course, a well-known contention on the part of the monometallists that the fall in prices since 1873 has not been due to a scarcity of gold, but can be fully accounted for by improvements in production. Bimetallists have answered that these improvements did not begin with 1873, but were at least as extensive and important before 1873 as later. If, therefore, they had no effect in pulling down prices during the first period, why should we credit them with such an effect during the second? Mr. Kinder amplifies this argument in Chapter I, by showing from statistics that *the supply* of certain standard articles — namely, wheat, sugar, wool, cotton, iron and coal — increased faster during the period when prices were rising than during the period when prices were falling. Thus, the wheat production of the world increased from 1851–60 to 1870–80 by 62 per cent, while from 1870–80 to 1881–89 it increased by only 23 per cent. This method is easy but inadequate. In the first place, the more remote statistics are apt to be defective, so that the rise in the earlier period is exaggerated. Secondly, it is not permissible to substitute “supply” for “improvements in production” as a cause of decreasing price. Improvements may lower cost of production without increasing supply to anything like the same extent. Thirdly, it follows from this that a fall in price need not be proportional to the increase in supply. How much a given increase of supply will lower price depends upon the elasticity of demand. When wants are inadequately satisfied, a greatly increased supply may be taken off the market at very slightly reduced prices. On the other hand, when wants have been pretty fully satisfied, a slight increase of supply may lower prices very much. This is such an elementary principle in economics that it is surprising to find how completely Mr. Kinder ignores it.

A similar criticism may be made in regard to his statistics of transportation. He shows, for instance (p. 428), that during the twenty years 1855–75 railway mileage increased 346 per cent, while from 1875 to 1895 railway mileage increased only 136 per cent. He seems to adduce this as proof that facilities for transportation were increasing much faster during the first period of rising prices than during the second period of falling prices, and hence that improvements in transportation could have had no part in the recent fall in prices. But it is easy to show that during the ten years from 1845 to 1855 the railroad mileage of the world increased 400 per cent; and that in the United States from 1830 to 1850 railroad mileage increased from 40 miles to 8571 miles, or at

the rate of 21,425 per cent. Would he expect to find prices falling in corresponding ratios? Percentages, starting from different bases, are slippery things to deal with. Mr. Kinder's figures remind us of the phenomenal percentages of growth in population of some Western cities or states when first settled.

In the same vein, the author assures us that the yearly decrease in freight rates was much greater from 1854 to 1870-73 than from the latter period to 1894-97. Thus, on the Erie Railroad the average rates per ton per mile were in 1854-57, 2.545 cents; in 1870-73, 1.259 cents; and in 1894-97, 0.607 cents. The yearly decrease during the first period was .08 cents and during the second .027 cents.¹ The conclusion is then adduced:

It will be seen that in so far as freight rates in the United States have had a determining effect on the prices of wheat and other commodities in the world market, the prices of such commodities should have fallen more rapidly in the period prior to 1870-73 than in subsequent years.

It may be suggested that the influence of improved means of transportation is seen, not merely or principally in lowering freight rates, but also in opening up new sources of supply, in facilitating distribution and in bringing about keener competition. We cannot expect freight rates to go on decreasing forever, while we may expect that the railway system will increase more and more the net productive power of the community.²

By these methods Mr. Kinder comes to the conclusion that "there is no reasonable ground for attributing the recent fall of prices to conditions of production and distribution." *Per contra*, he goes on to show (Chapter II) that (1) the supply of gold increased enormously until 1870; that (2) the annual production decreased from 1870 to 1883; and that (3) the demand for gold increased, owing to the demonetization of silver. He concludes that "it will appear to most minds that such a fall in prices as has taken place was a necessary and inevitable result [of these changes]." If one is able to formulate and is willing to accept a "quantity theory of money," there is some justice in Mr. Kinder's remark. But when one remembers the endless controversies that have been waged during

¹ The table makes it .8 and .27 cents, but this is evidently an error of division.

² It may also be remarked that by taking simply the Eastern trunk lines for comparison (Erie, N. Y. Central, Lake Shore & Mich. Southern, and Penn. R.R.) the author misses the most important factor in operation since 1873—namely, the opening up of the Northwest.

the last twenty-five years over this very question of the connection between the supply of the precious metals and prices, it would seem to need a good deal of assurance to dismiss the whole question (after seven pages of discussion) as follows :

From each standpoint discussed in this chapter the conclusion seems quite justified that the change of monetary standards was the one predominating cause of the fall of prices ; and if we add the facts ascertained in the preceding chapter, that there is nothing in the statistics of production of commodities or in their distribution to explain the fall in prices since 1873, as compared with the rise in the preceding period, we may safely accept this conclusion. [P. 440.]

The more important part of the monograph is that on the effects of price changes upon the distribution of wealth. The only new thing here is the argument in respect to the effect on wages. Mr. Kinder combats the ordinary belief that a period of rising prices is injurious to the laborers, because wages are apt not to rise as rapidly as prices, and that, on the other hand, a period of falling prices benefits the laborer by a decrease in cost of living, while he may be able to hold up his wages. Mr. Kinder makes three points. In the first place, he tries to show that the degraded condition of the English agricultural laborer during the seventeenth century was due, not to the rise in prices, but to the regulation of wages by the justices of the peace. But this is the very point of the whole illustration. No one ever maintained that rising prices reduce the laborer to penury ; his sufferings are due to the fact that while prices are rising he is not able, owing to law or custom or the power of the employer or his own inertia, to raise wages correspondingly fast.¹ Later on, speaking of the eighteenth century (about 1770), Mr. Kinder himself puts the subject in the right light :

As that was a time of comparatively low prices, the law regulating wages had doubtless operated favorably for workingmen during the immediately preceding period of falling prices. It was in the period of rising prices [that is, the sixteenth and seventeenth centuries] that the Wages Assessments had wrought their mischief.

¹ It may be pointed out that no one has ever maintained that in a period of rising prices wages may not overtake prices. The contention is that at first wages lag behind prices. In quoting from an old article of mine, Mr. Kinder omits the words in brackets : " When prices rise, wages also rise, but more slowly, so that [for the time being] the purchasing power of wages is less and the condition of the wage-earner is worse." I was arguing that the *first* effect of the proposed free coinage of silver (1896) would be disastrous to the workingman.

Mr. Kinder's second point is that, while real wages have increased during the whole period from 1860 to 1891, the annual increase was greater in 1860-73 (during rising prices) than during 1873-91 (period of falling prices). It seems to me a bad statistical method to compare the percentage of increase from a low period (1860) to a very high period (1872-73) with the percentage of increase from this high period to a still higher one (1891); for the first member of the comparison is exaggerated and the second minimized. Mr. Kinder tries to justify it, on the ground that a rise of wages from one dollar to two dollars is more important for a workman than a rise from two dollars to three dollars. We are therefore, he contends, justified in representing the first as a rise of 100 per cent and the second as a rise of 50 per cent — that is, in assuming that the first rise is twice as important as the second. But this is clearly sophistical; for we are dealing, not with the diminishing utility to the individual of successive increments of the same commodity, but with the share of the social income which the laboring class is able to get. The first part of a man's wages is, indeed, necessary for absolute subsistence, and is thus of infinite value to him as an individual; yet that does not prove that later gains are not equally important as a measure of social progress. In fact, the higher the wages, the more difficult it is, as a rule, to get a further increase. If wages were pushed up by speculative activity to the very high point which they reached in 1873, I should say that it was proof of great power on the part of the laboring class that they were able to maintain them after 1873.

Mr. Kinder's third point is one which has often been brought forward, but never substantiated — namely, that the rise in real wages from 1873 to 1891 was more than offset by lack of employment. The only evidence he adduces for this important proposition is from manuscript studies of Dr. Charles B. Spahr. He does not show how it is possible to reconcile high wages with the competition of masses of men out of employment.

The foregoing are sufficient samples of Mr. Kinder's methods. Notwithstanding his ingenious analysis and imposing array of statistics, I doubt if in the present complicated system of industry and exchange we are prepared to accept the bald theses that prices depend upon the supply of the precious metals and that economic prosperity can be secured only by steady inflation.

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